

Testimony Of: Sherry Ceresa, Gardener's Supply Company (Burlington, VT)

My name is Sherry Ceresa and I represent Gardener's Supply Company from Burlington, VT. I am a member of our ESOP Committee and also represent the employee owners on the company Advisory Board. We are the largest mail-order supplier of garden tools and equipment in the country and last year purchased Dutch Gardens, a bulb and perennial mail-order business from Holland that is a perfect complement.

Will Raap, our Founder and CEO started Gardener's Supply Company in 1983 and our ESOP in 1987. As we celebrate our 20th anniversary, we are stronger and prouder of our mission and vision than ever. We have grown from 10 people working out of a carpet factory to over 250 permanent employees and we expand to as high as 375 seasonally. We now have over 200,000 sq. ft. of office and warehouse space. We have a destination retail store and outlet and we manufacture many of our own exclusive products. We are proud to say we had our most profitable year in the history of the company last year and we did it by pulling together all employee owners and having them be pro-active in anticipation of hard times ahead.

This could be the story of many companies...why do we feel ours is different? Because of the reason why we are employee owned. Many ESOPs are started as a part of ownership succession. Ours started for a very different reason. Our founder, at age 35, felt that ownership was key to how employees perceived their jobs. I would like to read from a letter written by Will Raap that describes his philosophy.

"From our very conception, Gardener's Supply Company has been a business that is about much more than just making money. Our Vision, Mission and Business Principles speak to our goals to both create a profitable and sustainable business, as well as to make a positive difference for our employees, our community, and our planet.

We have believed that the key to success to achieve this complex undertaking would be involving employees in ways that perhaps run counter to the conventional rules. We felt, and still believe that the secret to unleash the potential in our business, and to figure out how to achieve what at times seem contradictory goals, lies not only in the minds of corporate management, but as much in the insights of every employee at every level. To unlock these insights, we needed a way to help all employees understand our business in a deeper and broader perspective beyond their individual positions and departments. In addition, we needed to create a context of trust and company loyalty and commitment, so all employees would see their future linked with Gardener's Supply's, be thinking about these larger issues every day, and be eager and enthusiastic participants in creating our company's success. Finally, we wanted a way to allow all employees to share in the company's success beyond their regular wage. Although employees are not putting up the financial capital the business needs, they are putting up the physical, intellectual and emotional capital that are equally important.

Therefore, we sought to create an organization and ownership structure to serve our business vision and mission. We chose an open book/participatory structure as the best way to give employees a more complete sense of how we are doing, of what we saw as opportunities and challenges, and of how they as individuals could influence the results of the organization as a whole. We coupled that with employee ownership, in the form of an ESOP. Our ESOP supports this management philosophy, and “closes the loop” in terms of not only creating a mechanism for all employees to participate in company ownership, but to truly feel and act like owners and share in the rewards of the capital value they are creating.

Sixteen years later, we have found the ESOP to be an integral element of our business success. We have weathered the buyout of all outside minority shareholders and the consequential debt burden we took on, we have mastered the dynamics, flexibility and challenges of managing a fast growing business, and we have bested an onslaught of new, “deep pocket” competition. We identify the strength and commitment of our employees, and the value of the input we get from each employee every day, created through the organizational mechanism and corporate culture of an alive and activist ESOP, as a key sustainable competitive advantage creating our business success.”

On a personal note, my **official** role at Gardener’s Supply and Dutch Gardens in Burlington, VT is Statistical Analyst. My **employee owner roles** are many. When our Telephone Sales representatives are overloaded with customers calling in catalog orders, employee owners get on the phones. When our mail trays overflow, we help open mail so the orders are fulfilled in a timely manner. When our warehouse is behind, we pack boxes. It is common to be sitting or standing next to the President, the CFO or the CEO. We are **all** employee owners with the same focus. You don’t hear “that’s not my job”...it **is** our job. Those unanswered phones, that unopened mail and those unpacked boxes all add up to decreased profits and bad customer service. It is our responsibility as owners to ensure we do all we can to meet our goals.

A bank such as the U.S. Employee Ownership Bank would have made our life much easier. In the earlier years of our ESOP, having loan guarantees and technical assistance would have been a blessing...we did it alone. We have succeeded, but so many other companies that would have provided much needed jobs were unable to wend their way through the complex ESOP world. There are many choices to be made early when establishing an ESOP that have long-term ramifications. I believe for those companies that cannot obtain private sector financing, this would be a tremendous support system.

In closing, I must say that prior to coming to GSC and DG, I had 26 years of working for non-employee owned companies. At **no** point in time did I feel the immense pride, fierce loyalty to my co-workers, or the desire to succeed that I feel now. As an employee owner, I make a difference in the life of our customers, our employee owners and our community.